

# Negotiation Strategies

Negotiation Tactics and Tips. Using product pricing information and other tactics to negotiate the best possible purchase.

*A basic negotiation principles workshop where we would explore ways to use the cost/price lessons in planning negotiating strategy. Example: When could we gain some advantages by offering to supply raw material or suggesting a quantity break. How to include negotiation principles into our day-to-day work and discussions.*

1. Win-Win negotiation
  - a. What is it & why do we want to do it?  
[www.mltweb.com/tools/win\\_win\\_oponent.htm](http://www.mltweb.com/tools/win_win_oponent.htm)  
[www.mltweb.com/tools/negotiate1.htm](http://www.mltweb.com/tools/negotiate1.htm)
2. Win without fighting!  
Sun Tzu
  - a. Prepare for war and do everything you can to win before it starts
3. Negotiation is a Frame of mind
  - a. Personal planning & commitment
  - b. Prepare to win
  - c. Teamwork: admin, maintenance & users
  - d. We win together
  - e. establish common goals
  - f. Long term success is a driver for each department
4. It's never too soon to start  
[www.mltweb.com/tools/toosoon.htm](http://www.mltweb.com/tools/toosoon.htm)
  - a. First impression sets the stage
  - b. Identifying elements of the contract which have opportunities – be creative  
[www.mltweb.com/tools/negotiate2.htm](http://www.mltweb.com/tools/negotiate2.htm)
  - c. Solicitation; an opportunity for a better and more complete contract  
[www.mltweb.com/tools/fulldeal.htm](http://www.mltweb.com/tools/fulldeal.htm)  
[www.mltweb.com/tools/whole.htm](http://www.mltweb.com/tools/whole.htm)
5. Getting the Negotiation Started
  - a. Are we negotiating or just talking?
  - b. Agreement to share in cost reduction
  - c. Negotiate with someone who has authority to make decisions beyond just the standard price book.
  - d. Make sure both teams include people who understand the cost issues
  - e. What is in the cost that I forgot to ask for, or won't need, or can use to my advantage?
6. Fact Finding
  - a. Gather information

- b. Tour, travel and read
  - c. Hard questions are easier when not negotiating
    - i. What is the failure rate?
    - ii. Ease of repair?
    - iii. Service response time?
  - d. Listen (don't give up information)
  - e. Confirm all assumptions
  - f. Record (save it for when you need it)
7. Leading Questions
- a. Shape the answer you want with the question you ask
  - b. Make sure you get the answer
  - c. Focus the question on the issue not people
  - d. Ask the right questions  
[www.mltweb.com/tools/leading.htm](http://www.mltweb.com/tools/leading.htm)
  - e. **100 or Not?** (revisited)  
[www.mltweb.com/tools/100\\_or\\_not.htm](http://www.mltweb.com/tools/100_or_not.htm)
8. Negotiation Checklist
- a. What can (and should) be negotiated?  
[www.mltweb.com/tools/what.htm](http://www.mltweb.com/tools/what.htm)
  - b. Questions for cost workshop; participants – What cost-related elements need to be added to the checklist?
9. Don't negotiate with yourself
- a. If you don't ask for it, you won't get it
  - b. How long is the extended warranty?
  - c. If you haven't asked you don't know.
  - d. How extensive is the included spare parts kit?
10. Hidden costs - a concession or negotiation object isn't always just the selling price  
[www.mltweb.com/tools/negotiate4.htm](http://www.mltweb.com/tools/negotiate4.htm)
- a. Agree to absorb some of the supplier's costs
    - i. It might be cheaper for me to do it than to pay you to do it
  - b. Costco example
    - i. Consider products we purchase where the cost of the packaging and handling far exceeds the cost of the product inside – beer, wine, printer toner, etc.  
[www.mltweb.com/tools/Costcounts.htm](http://www.mltweb.com/tools/Costcounts.htm)

## Tips

### 11. Serve the Ball

- a. Whose problem is it?
- b. Price is too high
- c. Doesn't meet specs
- d. None in stock
- e. Can't deliver on time
- f. Don't waste energy fretting about it,  
*serve the problem to the other side*
- g. I'd buy today if the deal was right
- h. Make the other person turn the deal down.
- i. Are you saying we can't reach an agreement?
- j. You mean we have to start all over?

### 12. Break a deadlock

- a. Make it personal  
[www.mltweb.com/tools/personal.htm](http://www.mltweb.com/tools/personal.htm)
- b. Change the terms of the agreement
  - i. If we agree to a 2-year purchase can we make a deal?
- c. Change the people
  - i. Is there someone who does have the authority?
- d. Leave them a way to save face
  - i. Don't make them admit it. Blame it on a typo
- e. Give them a way to sell it to their company
  - i. This is a great opportunity for long term business

### 13. Strategies

- a. I'm on your side, the boss won't like it
- b. Just one more thing after another
- c. I thought we agreed?
- d. It isn't in the budget
- e. Our Procedure/ policy won't allow it
- f. The plumber principle

### 14. Use communication skills to be more effective

[www.mltweb.com/tools/negotiate3.htm](http://www.mltweb.com/tools/negotiate3.htm)

- a. Give the salesman a way to sell it to his own organization

### 15. Discussion: Creative strategies

- a. What to negotiate vs How to do it  
[www.mltweb.com/tools/why\\_cost.htm](http://www.mltweb.com/tools/why_cost.htm)

### 16. Economic Price Adjustment Clauses

- a. What types of purchase can they help with?
- b. What can go wrong?

## 17. Personal Strategies

- a. Review the checklist before you begin
- b. Mark all important issues
- c. Assumption/ Confirmed/ Source
- d. Post a cheat sheet of common questions
- e. Touch all the bases, document it and get it signed
  - i. Build the contract as you go.
- f. Don't forget the net as a research tool
- g. Failure analysis
  - i. We do it for equipment, why not our negotiating skills

## 18. References

- a. Mike Taylor's web site articles  
[www.mltweb.com/prof/tools.htm#NEGOTIATION](http://www.mltweb.com/prof/tools.htm#NEGOTIATION)
- b. Ross Reck's Web site  
[www.rossreck.com/nl/browse.asp](http://www.rossreck.com/nl/browse.asp)

## Discussion

- 19. When we agree to purchase 12 units, what manufacturing costs are we helping the manufacturer mitigate or avoid in exchange for a better deal?
  - a. Inventory cost, carrying cost,
  - b. Risks of spoilage, loss, obsolescence
- 20. When Manufacturer adds the 13<sup>th</sup> unit to the deal, how does that help to mitigate inventory cost?
  - c. Inventory turns,
  - d. Reducing Qty on hand
  - e. Trading profit for risk of loss
- 21. What do you purchase where inventory costs can be mitigated in the negotiated purchase agreement?
  - f. Anything perishable, with a shelf life or with an expiration date
  - g. Items with a unique component or material
  - h. Items with expensive and/or subcontracted components
  - i. Items with components that have long lead times or must be purchased from unique sources
  - j. Items where market is rapidly changing
  - k. Items where special expertise or tooling is required
- 22. What are the "inventory risks" associated with service contractors?
  - l. i.e. change the purchase agreement to a service agreement – e.g. provide all the product we need on a full capacity basis to keep our plant supplied
  - m. Idle labor, wrong labor skills, labor overhead costs
- 23. What other ways could we structure the deal to help mitigate inventory costs?
  - n. Long term agreement

- o. Minimum quantity
- p. Prepay
- q. Managed inventory on my location
- r. Assume risks of obsolescence
- s. Production schedule coordination

24. What other manufacturing risks can we mitigate in our purchase agreements agreement?

- a. Pointing out that risks which could be come losses can be mitigated
- b. Plant visits to gain exposure that can be turned around by offering to help
- c. Price includes factory rep to set up and start up -
  - i. But I don't need that so how about a 6-month checkup?
- d. Cost includes worker safety training and regular safety walkthroughs by our safety specialist
  - i. My people need that also, can we participate?
- e. Cost includes transit insurance
  - i. Can we add the other items in my shipment to the policy?
  - ii. Can you cover me with a rider, also insured clause?
- f. Cost includes travel to the source
  - i. Can we book the travel together and share?